

{As Prepared for Delivery}

**Husson College Business Breakfast
Bangor, Maine
October 11, 2005**

**Thomas C. Dorr
Under Secretary for Rural Development
Breakfast Remarks**

Thank you. It is a pleasure to be in Maine, especially in October. We didn't plan this trip with the seasons in mind, but this is a great time to be here.

It is also a privilege for me -- on behalf of President Bush, Secretary Johanns, and a terrific group of people at USDA Rural Development -- to have this opportunity to discuss some of the opportunities unfolding in rural America today.

Obviously, rural America is an incredibly diverse place, with $\frac{3}{4}$ of the land area of the country and over 60 million people. Some areas face greater challenges than others.

But looking broadly at where this country is headed over the next 10-20 years, this is a tremendous time to be living, investing and raising a family in rural America. There is enormous potential -- if we have the vision and leadership and entrepreneurial skills to reach out and seize it. It's our mission at USDA Rural Development to help ensure that rural communities across this country rise to the opportunity.

First, I am going to begin with an invitation. What brings me to Maine, in addition to our meeting this morning, is a Farm Bill Forum here in Bangor from 2:00 to 5:00 this afternoon. If your schedule permits, I sincerely hope you will join us.

I promise that this won't require you to listen to another speech from me, at least not a very long one. One a day is certainly enough. For me as well as you.

The point of the Farm Bill Forum is entirely different. This is one of a series of listening forums being held all around the country by Secretary Johanns, Deputy Secretary Chuck Conner, and a number of the subcabinet administrators at USDA.

There have been nearly 30 so far, and eventually there will be at least one in each State. The purpose is to look ahead to the drafting of the next Farm Bill, which will be enacted in 2007.

President Bush's commitment -- and Secretary Johanns,' and mine as well as -- is to open this process to the greatest input possible from the over 60 million people who call rural America home.

We have two years to develop the next Farm Bill. Two years is a luxury in government, and we want to put that time to good use. We want to get it right. There are big changes happening now, and more on the horizon. There are some tough choices to be made. And there are important opportunities to be seized. Bottom line, I don't know anyone who has a monopoly on good ideas.

So join us this afternoon if you can -- and please feel free, if not today then in the months ahead, to get involved in this important discussion. Because we do want to hear from you.

On another subject, I'd like to pause just for a moment to recognize the remarkable contributions being made by a great number of people -- in USDA and elsewhere -- in responding to Hurricanes Katrina and Rita.

Now, I know the hurricane story is already moving off the front pages. But the truth is, the hard work is just beginning.

Most of the areas devastated by the storms are rural, and recovery and rebuilding are our business. I've been on-site to survey the damage. I've been to several of the Recovery Centers to visit with the Rural Development staff who are on the front lines.

And I can tell you, as an Iowa farmer and a lifelong resident of tornado alley, the scope of this is staggering. Katrina and Rita were very big storms. Tornados -- bad as they are -- are at least relatively localized. The sheer scale of damage a hurricane can inflict has to be seen to be believed.

But if the damage is immense, so is the scope of the response. Millions of Americans have contributed generously to the relief effort, which at the federal level alone is already the largest in American history.

Even prior to Katrina coming ashore, USDA had already pre-positioned food in warehouses in Louisiana and Texas. We are continuing to make emergency food supplies available as needed.

One of our sister agencies, the Forest Service, deployed over 5,000 employees who are trained in rescue and response to large-scale incidents. Many more USDA people are serving in other capacities.

At USDA Rural Development – just one mission area within USDA, we’ve identified 30,000 homes and apartments from our national housing portfolio that are available for people displaced by the storms. As of October 6, over 7,200 people [*actual count: 7289*] have been housed in over 2,300 units [*actual count: 2339*] in 29 States.

A few folks have actually made it this far and are in Rural Development housing here in Maine. Not many -- most of the people displaced by the

hurricanes want to stay closer to home. But a few have been adventurous enough to come this far north -- or perhaps they have family or friends up this way -- and I hope you will give Michael Aube and his staff in our State Office a round of applause for helping them settle in.

In addition, our utilities programs are working to bring electrical, sewer and water services back on line.

And since we provide telecommunications and broadband services ... affordable housing and community facilities ... rural hospitals, day care centers, emergency services, and business development lending ... we'll still be on the ground doing the work of reconstruction long after the news media has moved on to the next big story.

This won't be over in a matter of weeks or months. It will take years. So I want to take a moment here and now to thank the hundreds of largely unrecognized Rural Development staff in Mississippi, Louisiana, Alabama, Texas, and around the country -- including Mike and his staff right here in Maine -- for the work they are doing and will continue to do, long after the cameras have moved on, to put things back to right.

And you know- in light of the terrible earthquake that hit Pakistan, India and Afghanistan over the weekend – apparently nearly 20,000 lives lost- and Katrina not many more than a thousand. One life lost is too many.

Most of the time, however, Rural Development is about building the future -- not picking up the pieces. And when you start to think seriously about the future of rural America, the first big thing staring you in the face is change.

Change, of course, is nothing new; in fact, it's one of the fundamental characteristics of the modern world. In farming, in a single lifetime we've gone from plowing behind a mule to gene splicing. That's every bit as dramatic, and just as important, as the more familiar example of Kitty Hawk to the moon.

When I was young there were more than 6 million farms in this country. As we begin the 21st century, there are 2 ¼ million, and just 250,000 of those produce most of the nation's food and fiber.

When I was growing up, rural economies were dominated by farming, ranching, and forestry, and by small towns serving those industries.

Today, 96% of the income in rural counties is derived from non-farm sources, and thousands of those small, farm-service towns have declined.

Back when I learned to drive, you could fill up your tank for \$5 and have change left over. Today gas is pushing \$3 a gallon and ethanol, biodiesel, and other renewables are the wave of the future. By the way, that's very good news for the farm belt, and I'll touch on that again later.

When I graduated from high school, nobody had heard of Toyota, we took American economic dominance for granted, and we assumed the United States would be the breadbasket of the world for years to come. Not so long ago, most of us thought we were going to export our way out of commodity surpluses.

Today -- well, let's just say it's different. Toyota may not be the world's biggest car company -- but it is the biggest profitable one. India and

China are achieving growth rates of 6-10% annually. We've taught the rest of the world to feed itself, and a growing number of countries are trying to export their commodity surpluses to us. Competition is tougher every year in every sector you can name from computers to cars to corn, and that's only the "C's."

So change is everywhere. Sometimes it's scary. But it also brings opportunity. Our job at Rural Development is to ensure that rural America isn't left out ...

... That it has the infrastructure, access to investment capital, technical skills, and entrepreneurial leadership that it needs to take advantage of the changes that are rolling down the pike.

To sum it up in sports parlance: We're playing offense, not defense. And we're optimistic about the future.

USDA Rural Development is, in essence, a \$90 billion investment bank for rural America. That's a cumulative total -- the size of our current portfolio. Currently we're investing around \$12-14 billion a year,

roughly a 40% increase over the level of the late 1990's. Since President Bush took office, that translates into \$54 billion in new investment and over 1 million jobs created or saved in rural communities.

Some of that investment flows to infrastructure: water and wastewater systems, electric and telecommunications utilities, broadband.

Some of it flows to housing: affordable single family housing to help extend the promise of homeownership to ever-more rural residents, and multi-family housing to ensure that rural communities have a viable rental market.

Some of it flows to community facilities: hospitals, schools, emergency services and first responders, day care centers, libraries, broadband access, recreational opportunities.

And some of it flows to business investment to create new companies, new jobs, and new economic opportunities in rural communities.

In fact, the sheer variety of what we do is an important part of my message today. Sometimes people look at us and don't get beyond the "USDA" in USDA Rural Development. They think, "Well, you're the Department of Agriculture and I'm not a farmer. Have a nice day."

That's a mistake, and some folks are missing opportunities because of it. That's why I'm here to wave the flag a bit.

We're in the business of rural development. We serve all of the 60 million people living in rural communities across this country -- not just the 2 million or so who farm. And as I've already indicated, the range of what we do spans the spectrum.

Next week, Mike Aube will be leading a statewide Rural Development tour highlighting projects in each of the 16 counties. His message is the same as mine: we're here to help, whether you're trying to get broadband or start a new business or upgrade a rural hospital.

If you're doing business in rural America, thinking about doing business in rural America, creating jobs in rural America, or providing

community services in rural America, we are -- at least potentially -- a partner for you to consider. Pick up the phone and call Mike and his staff to explore the options. Or visit with him when his caravan pulls through town next week. The State Office is the place to start. Working together, we have a tremendous future ahead.

Let me briefly describe just three of the reasons I'm so optimistic about rural America. There are more, but these are three of the big ones -- the structural and economic factors driving positive change.

First is something I call "Place." This is my own shorthand term for the quality of life attributes that make rural communities such good places to live, work, and raise a family. Provided, of course, that you can find a good job, which traditionally has been the big question.

"Place" includes a lot of things. It's peace and quiet. It's clean air and water and lower housing and land costs. It's the absence of congestion ... a low crime rate ... the slower pace of life ... livable communities with good schools, traditional values, and a strong work ethic.

And just for the record, let me emphasize that this is not just a question of nostalgia for an old-fashioned way of life. Nostalgia is fine in its place, but in a market-driven economy where people make hard decisions for practical reasons, it doesn't get you very far.

These things I've mentioned, even the intangibles, are practical advantages -- real competitive advantages in today's society. Yes, big cities offer economies of scale -- but they also suffer from diseconomies of scale, high costs, and a host of urban problems.

That's why the great internal population shift of the last 60 years has been out of the big cities ...

... Initially into the suburbs and smaller cities, but increasingly today -- broadband is especially important here -- into rural areas as well.

You certainly see that here in Maine: the urban refugees from down the coast moving here for a better quality of life. You're going to see more and more of them as time goes by.

The fact is, people are voting with their feet. The fastest growing places in America today are urban fringe counties, many of them still rural, as well as smaller cities and towns. In 20 years, the spatial organization of this country will be very different.

Rural communities that can generate good jobs and provide quality health care and schools are great places to live, and more and more people are making that choice every year.

Our job at Rural Development is to empower that choice by providing the infrastructure, venture capital, and technical support that rural communities and businesses need to grow.

A second great opportunity for rural America is broadband.

It is a cliché to say that broadband is a transformative technology. Like most clichés, it's true. But what is so exciting about broadband from a rural perspective is its inherently decentralizing potential ...

... And therefore its ability to leverage the natural assets of rural communities that I've just discussed.

Most of us already understand that the combination of the computer and the internet are producing the most radical decentralization of information in human history.

The effects won't be fully realized overnight; indeed, we are still in the very earliest stages. Organizational structure and social architecture change much more slowly than technology. But change they will.

With the internet, complex information and masses of data can be shared easily across great distances. You don't need everyone in the same building -- or the same city -- so they can talk. Large administrative structures, manufacturing processes, and distribution networks can be decentralized.

And increasingly, in a knowledge based economy, the internet lets work move to people, not the other way around. Anyone with a modem and a good idea can compete globally.

To a degree unprecedented in history, people are going to have real choices about where to live and how to work. For rural areas -- with all their advantages of “Place” -- that is an enormous competitive edge.

Yes, it will take time for organizational structures to adapt. At the Department of Agriculture in Washington, D.C., for example, we have employees in carpools leaving Winchester, Virginia and Martinsburg, West Virginia at 4:30 in the morning. That’s a three hour commute each way ... if the weather is good and the traffic is moving.

A lot of those people could be at work with the click of a mouse. In 20 years I think they will be. We have scarcely scratched the surface on telecommuting and dispersed work networks, but these things are beginning to happen all around us.

A generation from now, our grandchildren will be scratching their heads and wondering how we ever managed to live the way we do.

This is a great thing for rural communities, which is why broadband is a strategic priority for USDA Rural Development. To date, we've invested over \$1 billion and connected over 1.3 million rural customers. We have over \$2 billion more available for future broadband loans. In addition, our "Community Connect" program provides public access to broadband through community facilities when conventional broadband service to businesses and homes is not yet available.

President Bush's goal is universal access to affordable broadband by 2007. We will do our part to meet that goal. And if you don't have broadband access yet, call Mike and let's start to explore the options.

Finally, there is a whole new growth industry opening up for rural America. Energy is America's new cash crop. For rural America, renewable energy presents one opportunity after another.

Ethanol and biodiesel head the list. In 2004, 81 ethanol plants in 20 States produced a record 3.41 billion gallons of ethanol. That's up 20% over 2003 and 109% over 2000.

The 7.5 billion gallon Renewable Fuels Standard in the energy bill will keep that growth on track. More importantly, so will \$3 a gallon gasoline. In the long run, markets rule. The barrier to ethanol, like other alternative energy sources, has always been price. \$60 a barrel oil changes a lot of profitability calculations.

The ethanol breakthrough has almost unlimited potential for rural economies throughout the grain belt -- higher commodity prices, a decentralized production network based on local sourcing, more good jobs in small towns.

And as other feedstocks come into play -- things like corn stalks, rice straw, sugar cane, pulpwood, switchgrass, and municipal solid waste -- these benefits will extend far beyond the corn belt to rural communities across the country.

But renewable energy is much broader than ethanol. It includes direct combustion, anaerobic digesters, and landfill gas recovery.

Geothermal and hydrogen projects are in the mix. Wind power is coming into its own, even generating significant utility interest in some parts of the country.

Solar power is still relatively expensive-- but even solar power is becoming more and more common for remote applications.

Bottom line, with \$60 per barrel oil, we have a renewable energy gold rush on our hands. Our Renewable Energy and Energy Efficiency Program -- commonly known as the Section 9006 program -- is involved in all of these areas. This is a competitive, market-driven program, and the markets are telling us that alternative energy has finally reached the liftoff stage.

My friends, this is good news for rural America, and for the country as a whole. When the day finally comes that we're driving our cars with ethanol from the Midwest rather than oil from the Mideast, we will truly have turned a corner in more ways than one.

What all of this means for any particular rural community depends on many factors: the local mix of market opportunities, the proximity to major metro hubs, the caliber of local leadership, and the aspirations of the people themselves.

But the potential is there. The traditional barriers to rural progress -- distance, time, isolation -- mean less than ever before. The traditional rural assets of lower costs and higher quality of life count for more. That's a promising combination.

We can help supply infrastructure, venture capital, and technical assistance. You have to supply the vision and the entrepreneurial spark. Together, we can make a winning team. We're there to help, and we look forward to working with you. Thank you.